

Title	The development of film policyin Canada and Japan : from cultural to economic
Sub Title	
Author	菅谷, 実(Sugaya, Minoru)
Publisher	Institute for Media and Communications Research, Keio University
Publication year	2006
Jtitle	Keio communication review No.28 (2006. 3) ,p.53- 70
JaLC DOI	
Abstract	
Notes	
Genre	Journal Article
URL	https://koara.lib.keio.ac.jp/xoonips/modules/xoonips/detail.php?koara_id=AA00266090-20060300-0053

慶應義塾大学学術情報リポジトリ(KOARA)に掲載されているコンテンツの著作権は、それぞれの著作者、学会または出版社/発行者に帰属し、その権利は著作権法によって保護されています。引用にあたっては、著作権法を遵守してご利用ください。

The copyrights of content available on the KeiO Associated Repository of Academic resources (KOARA) belong to the respective authors, academic societies, or publishers/issuers, and these rights are protected by the Japanese Copyright Act. When quoting the content, please follow the Japanese copyright act.

The Development of Film Policy in Canada and Japan -- From Cultural to Economic

Minoru SUGAYA*

Introduction

The Japanese government has started to pay more attention to the film industry since 2002. In 2003, Prime Minister Koizumi mentioned an animation film “Sento Chihiro no Kamikakushi” in his speech. It is not common that a title of an animation film is included in a Prime Minister’s speech in the diet. He also emphasized the economic importance of intellectual property. In addition, “Content Promotion Law” was adopted in April 2004. In Japan, film, animation, television, and games are classified as “content industry.” The content industry now becomes the most noteworthy industry in Japan.

Why is the content industry becoming an important economic sector in Japan? The first economic reason is the strength of the content industry itself. The second reason is the penetration of broadband network, including the ADSL, the FTTH, and the cable Internet access.

Japan is the second largest country in the video production market, including film and television programs. The first and biggest country is the United States. Japanese film and television programs are not as much penetrated as those from Hollywood in the global market, but they very popular in the domestic market. For instance, Japanese film’s share in the box office sale is over 30 percent against Hollywood film. While it is not a majority, this figure has been realized without any quota system.

On the other hand, the penetration of broadband network has rapidly expanded since 2001. In 2001, the number of broadband users was only 856 thousand, but it became more than twenty times to 17 million in 2004. The ADSL is now a major broadband network in Japan, and the growth rate of the FTTH is very rapid as well. Generally speaking, the Japanese economy is now in a matured stage, and the economic growth rate is very slow. Within such a slow economy, the broadband market is exceptional. Many people try to find a successful business in such a growing market, and there is no doubt that distributing video programs through such broadband networks is a promising business in near future.

* Minoru Sugaya is Professor at the Institute of Media and Communications Research, Keio University.

In Japan, a public sector that supports the content industry just emerged at the end of 2004. In December 2004, a new organization was launched by the film, broadcasting, and game industries in Japan, called the Visual Industry Promotion Organization (VIPO). The VIPO is not a government agency, but a non-profit organization supported by various film, television, animation, and game companies.

Comparing to Japan, Canada has a long historical experience of the film policy. In Japan, however, Canadian films are not so popular. According to the 2004 data from the Association of Foreign Film Import and Distribution, only one film was imported from Canada. It is a documentary program produced by the National Film Board in Canada. In addition, Canadian films and the U.S. films are classified as the same regional category of film, "North America films," in Japan. Thus, it is not easy to find out which film is Canadian or American in Japan. Many Japanese people think that a "North America film" means a Hollywood film, even though a Canadian film is included in the category. Yet, Vancouver and Toronto are indeed famous as Hollywood film location sites. It is one of the reasons why the Canadian film policy is chosen as a case in this article.

Before starting to describe the film policy in Canada, the general framework of the film policy structure is discussed. In the final section, two different film policies in Canada and Japan are compared.

Structure of Film Policy

In general, policy-making players vary, including not only public organizations but also private ones. In this article, the sphere of film policy is limited to the public side. The corporate policy will not be discussed here.

The general principle of film policy is formed by a legislature, and several policy executors are allocated at different levels of a government to proceed a particular policy. A policy executor may be a part of central government, an independent organization, a local government, or a governmental organization. A duplex structure is more common than a single structure in the film policy. For instance, Canada has several policy executors not only in its central government but also in each province as discussed later.

Once such policy executors are set up, the aims of the film policy are allocated and performed by each executor. In general, there are two goals in the film policy: cultural and economic goals. Preserving and promoting national content or classical and minority content are the goals for the cultural policy. Developing the film industry itself is a typical goal in the economic sense. At the national level, it means an expansion of the film industry. In the regional level, in contrast, it promotes the regional economy as well as the film industry.

The film industry consists of three divisions: production, distribution, and

exhibition. The production is a division to produce films. Distributing films, marketing and promotion are included in the distribution division. The exhibition consists of several windows, including theater, cable and satellite television, DVD and video, and the over-the-air television. As shown in the Figure 1, a different type of policy is applied to each division.

In the film market, there is no rationality for an economic regulation to complement a market failure. In other words, the film industry is not a typical network industry, such as telephone or electric industry, which has economies of scale. However, the regulation on a vertical integration among the production, distribution, and exhibition, has an economic rationality. The vertical integration in films may create an enormous market power, and such power will create a monopoly in the market or reduce the level of competitions in the market. The Paramount Case in the United States is a typical example of a monopoly in the film market.¹

As mentioned earlier, various policies are performed in different divisions of the film market. It is not because of a market failure but of the both cultural and economic reasons. Films are not mere consumer goods. Films are distributed in the economic market, yet, at the same time, they are arts and culture. Most countries wish to preserve domestic films produced in native languages, with domestic actors and producers. In order to achieve this goal, a government has to provide direct funding, tax deductions, and tax credits, for the domestic production. In addition, such films are sometimes given advantages in exhibition— a quota system in film theaters.

Such policies have been mainly created for cultural reasons. However, they are sometimes regarded as an economic protection for the domestic film industry. Drawing a line between cultural and economic reasons becomes a very difficult task; there is a gray zone between them.

In contrast, the economic film policy has a very clear objective, such as the development of the domestic film industry, the expansion of domestic film share in the box office, and the growth of employment in the film market and of regional economy. These policies are achieved not only by the direct funding but also by attracting such big-budget film productions as Hollywood films.

Figure 1 Structure of Film Policy

Culture	Economic
Production (National content)	Production (domestic)
Direct Funding	Subsidizing popular films in the box office market
Tax deductions and tax credits programs	Film commission
Film commission	Production (Hollywood)
Production (Cultural contents including classics and minorities)	Tax deductions and tax credits programs
Direct Funding	Marketing and promotion
Film commission	Subsidies for setting up or participating international film festivals
Exhibition	Locating film office in Hollywood
Subsidies for small theaters featuring cultural films	
Quota system	
Education	
Direct and indirect subsidies to educational institutions	

The Film Policy in Canada

As mentioned in the previous section, Canada has a long history of the film and broadcasting policy. In the film policy, several government and public agencies are classified into two tiers: Federal government level and provincial government level. The department of Canadian Heritage, the National Film Board of Canada, and the Telefilm Canada, are major players in the field of the Canadian film policy. The Ontario Media Development Corporation and British Columbia Film are examples of government and public agencies at the provincial level.

Canada has two official languages, English and French. Most French-speaking people live in Quebec. It means that there are at least two major cultures in Canada. Such cultural diversity also influences the country's film policy.

The third characteristic of the film policy in Canada is that it has three goals. The first goal is to promote cultural values, especially Canadian cultural values against those of North America's big cultural entity, Hollywood. The second goal is to produce economic results from the film production in Canada. It means that an invitation for big-budget Hollywood film productions at several shooting sites in Canada. The third goal is to realize diversity in the film production.

In the following sections, three dimensions of the Canadian film policy are described. Then in the final section, some outcomes of the Canadian film are discussed.

Policy Players

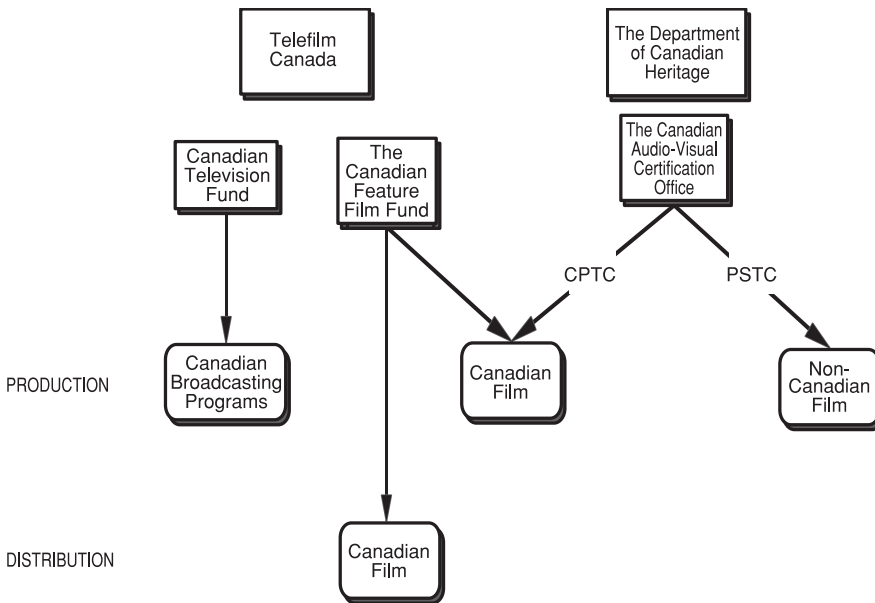
Canada has a duplex policy structure for film and television production. One is

at the federal level and the other is at the provincial level. First, some federal agencies are introduced and then provincial ones—British Columbia and Ontario.

1. Federal Level

As shown in the Figure 2, Canada has three policy bodies. The core is the Department of Canadian Heritage. It is a planner and player. The second one is the Film Board of Canada, established in 1939. Its main function is to produce and distribute the non-theatrical Canadian-content and co-production films. It has co-production agreements with a number of film and television program producers outside of Canada, such as BBC in the United Kingdom and NHK in Japan. The third one is the Telefilm Canada. It is a funding manager for the Canadian-content film, television program, music, and new media.

Figure 2: Structure of the Canadian Film Policy



(a) The Department of Canadian Heritage

The Department of Canadian Heritage is a main policy body for film and broadcasting. It has published many policy papers, one of which is called “From Script to Screen: New Policy Directions for Canadian Feature Film.” This report stresses that a major shift in the federal government’s support of Canadian feature films is to build the audience. According to the report, building the audience does not necessary mean building an industry. It rather means that the government support

will cover not only for cultural films but also big-budget popular films.

We can find a very clear government view for the film policy from this statement, because it does not mention any budget cut nor budget addition. The policy paper emphasizes the economic value of the film production.

(b) The National Film Board of Canada

The oldest federal agency for the films is the National Film Board of Canada (NFB). It was established in 1939. The main role of the NFB is to produce and distribute Canadian films and broadcasting programs, especially documentaries, animation, and new media. Such products are distributed not for theatrical use but for non-theatrical or educational use for schools and colleges. It also has several international co-productions with BBC and NHK. Therefore, the NFB's objective is very clear: it provides social and educational products, not commercial ones.

(c) The Telefilm Canada

The Telefilm Canada is a national public investor for films. It was established in 1967 as a Crown culture corporation called the Canadian Film Development Corporation. Under the Canadian Film Development Act, a Canadian film is defined as "one with significant Canadian creative, artistic, and technical content and Canadian copyright ownership," and its copyright is owned by a Canadian individual or corporation.² Recently, its activities have been expanded to television, new media, and music. Its main activities remain in administrating several film funds, as mentioned below. According to its report, Telefilm's core objective is "to build larger audiences for 'Canadian cultural products.'"

The Telefilm committed total of 239 million Canadian dollars (from now on, 'Canadian dollars' will be stated as 'dollars') in 2002-2003, including 22 million dollars for administrative expenses.

- The Canadian Television Fund: 114 million dollars

The Canadian Television Fund is a public-private partnership funded by the Government of Canada, cable companies, and direct-to-home satellite service providers. It was created in 1996 to support high-quality, culturally significant Canadian television programs in both official languages.

- The Canadian Feature Film Fund: 84 million dollars

It was launched in 2001 to support the Canadian feature film. Production, distribution, marketing, and complementary activities, such as festivals, are major activities for this fund. Its aim in 2003-2004 is to capture five percent of the domestic box office by 2006.

- The Canada New Media Fund: 6 million dollars

- The Canada Music Fund: 4.5 million dollars

- Other activities, including versioning, marketing, training, national and international promotion, and industrial and professional development activities: 8 million dollars

(d) The Canadian Audio-Visual Certification Office

The Canadian Audio-Visual Certification Office (CAVCO) is also a very important agency for the Canadian film policy. The CAVCO was established in 1974 to administrate the Capital Cost Allowance (CCA) program for Canadian feature films. In 1995, a new program, called the Canadian Film or Video Production Tax Credit (CPTC), was introduced, and the CCA was replaced by this program. The CPTC is a tax credit of 25 percent of salaries and wages for domestic film production.

The CAVCO introduced the Canadian content point system for the purposes of the tax credit program, the CCA. In 2002-03, 123 million dollars was disbursed as the CPTC to Canadian film production companies. The role of CAVCO is to receive applications of this program and qualify the eligibility.

In addition to the CPTC, a new program was introduced in 1997, called the Film or Video Production Services Tax Credits (PSTC). This program is applied to non-Canadian production shootings in Canada. Thus, it is not for Canadian cultural- or social-related films. It is introduced to foster film shooting in Canada from outside of Canada, including Hollywood. This is also a tax credit of 16 percent of salary or wages incurred and paid to Canadian residents. Therefore, the aim of this program is to provide job opportunities to Canadian film workers. It is not a cultural program, but an economic program.

2. Provincial Level

There are 13 provinces in Canada. Each province has its own film policy, mainly because of an economic reason to provide better location sites for big-budget Hollywood film productions. Each province is competing with one another to invite more productions from Hollywood.

Top three provinces are British Columbia, Ontario, and Quebec. British Columbia is located in the west side of North America, and it is in the same time zone as Hollywood. It is also the nearest province from there. Ontario contains the biggest city in Canada, Toronto, and the capital in Canada, Ottawa. Thus, from both the economic and political standpoints, Ontario is considered to be the most influential province in Canada. Quebec is unique because most French-speaking people live in this province.

According to the CFTPA (Canadian Film and Television Production Association) economic report, each province also plays different roles in the film market. First, the revenue from film and television productions in the three provinces in 2003/2004 is the followings:

British Columbia	1,542 (including 1,238 for foreign location) millions dollars
Ontario	1,758 (340)
Quebec	1,206 (193) ³

British Columbia is the second largest city with the largest number of film locations. It means that major productions in BC come from outside of Canada. The share of foreign locations in BC is 65 percent out of the entire country. Ontario comes second with 18 percent, and Quebec follows with 10 percent. Over 90 percent of the foreign location production is in these three provinces. This trend has not changed for seven years. Since 1997/1998 static year, BC has always remained the top in the share of foreign locations.

In contrast, the other two provinces have a number of the CAVCO-certified productions. In Quebec, in particular, the share of the CAVCO production is more than half in 2003/2004 (666 out of 1,206 million dollars). This trend also has not changed for seven years.

While three major provinces have different roles in the Canadian film market, the provincial policies focus more on economic values than cultural ones, comparing with the Canadian film policy.

(a) British Columbia

As shown in the CFTPA report, British Columbia is one of the three largest film production provinces in Canada. The number of foreign film locations, in particular, is the biggest in the nation.

In BC, the film policy is not a culture policy but an economic one, called film location policy. Its policy body does not belong to a culture department of the province government; it belongs to the Ministry of Small Business and Economic Development. The Economic Development and British Columbia Film Commission in this Ministry are both major players in developing and promoting this policy.

The BC Film Commission is also the core member of local film commissions in BC. The other important organization is the British Columbia Film, a private, non-profit independent organization established in 1987. It offers a variety of financial supports for the BC filmmakers and skill-training programs. It also administers a provincial tax credit program on behalf of the BC government.

Each province has its own tax credit program in Canada. It is almost identical to the federal tax credit programs, the CPTC and the PSTC. In BC, there are two tax credit programs: the Film Incentive BC (FIBC) and the Production Services Tax Credit (PSTC).

The FIBC is only applied to BC-controlled production companies and BC-resident Canadian producers. It includes following four components:

- The basic FIBC tax credit is 20 percent of eligible BC labor costs of film and television production. This rate was raised to 30 percent in January 2005.
- The digital animation or visual effects credit is 15 percent of labor costs of digitally created film images. This program was launched in 2003.
- The regional production credit is 12.5 percent of labor costs of film and television production outside of Greater Vancouver.

- The training incentive promotes the development of skilled workers in the industry.

On the other hand, the PSTC opens both domestic and foreign producers who shoot their film and television programs in British Columbia. It does not have any Canadian content requirements. There are three components:

- The basic PSTC tax credit is 11 percent of accredited qualified BC labor costs. This rate was raised to 18 percent in January 2005.

- The regional tax credit is 6 percent.

- The digital animation or visual effects tax credit is 15 percent.

According to the British Columbia Film annual report (2002- 2003), “these incentives are refundable, corporate income tax credits.” And “this credits are applied to reduce tax payable, and any balance is paid to the continued growth of BC owned and controlled film and television production.”⁴

For the period between April 2002 and March 2003, the total value of the FIBC-supported production was estimated at 256 million dollars and its projected tax credit was 22 million dollars. The total value of the PSTC-supported production was 945 million dollars, and its projected tax credit was 44 million dollars. Thus, from the financial point of view, the PSTC contributes more than the FIBC to the BC economy.

In addition to these tax credits, the province of BC has the British Columbia Feature Film Fund. It was established in 2000 when the Federal Canadian Feature Film Fund was launched. It is an additional fund for BC feature filmmakers.

The British Columbia Film Commission is also a branch of the Provincial government. It was established in 1978. Under this commission, five film offices are located throughout the province, while other 15 to 20 municipal film commissions are closely related to this commission.⁵ The main role of BC film commission is a gateway to location services in BC. It provides a digital photo library and works as a coordinator among film production companies, local government, industry, business, and the general public.

(b) Ontario

The province of Ontario is the largest in Canada, and its film activities are also very active. The Ontario Media Development Corporation (OMDC) is a core player of the film policy in Ontario. It is an agency of the Ministry of Culture. Since Toronto, the biggest city in Canada, is located in this province, the OMDC is in charge of not only the film and television industry but also book publishing, interactive digital media, magazine publishing, and music industries. These cultural industries are very important economic resources in the province of Ontario.

The OMDC consists of three departments, including business affairs and research, industry development, tax credits and financing programs. Film commission belongs to in the Industry Development department.

The amount of film and television productions in Ontario is estimated at 874 million dollars in 2003. Comparing to British Columbia, Ontario has more domestic productions for the amount of 504 million dollars.

As for the film and television production, this province has the Ontario Film and Television Tax Credit (OFTTC) started in 1997. It is available for Canadian-content domestic production in Ontario. The Ontario Production Services Tax Credit (OPSTC) is offered for both domestic and foreign film and television productions with non-Canadian content. The outlines of these credit programs are the followings:

<OFTTC>

- Credit rate: 20 percent of eligible Ontario labor expenditures. It will be 30 percent in 2005.
- Regional bonus: Additional 10 percent bonus is applied to shooting outside the Greater Toronto Area.
- Additional 10 percent on the first 240 thousands dollars of labor expenditure is available for the first-time producers in 2003.

<OPSTC>

- Credit rate: 11 percent of labor expenditure. It will be 18 percent in 2005.
- Regional bonus: Additional 3 percent.

The OMDC also provides the following tax credit programs for animation, digital media, sound recording, and book publishing:

- The Ontario Computer Animation and Special Effects Tax Credit (OCASE) are available for both domestic and foreign corporations on Ontario labor expenditures. The Credit is 20 percent of Ontario labor expenditures.
- The Ontario Interactive Digital Media Tax Credit (OIDMTC) is available for 20 percent of Ontario labor expenditures on interactive media products.
- The Ontario Sound Recording Tax Credit (OSRTC) is a refundable tax credit for 20 percent of qualifying expenditures by an eligible sound recording company with respect to an eligible Canadian sound recording by Canadian artist or group.
- The Ontario Book Publishing Tax Credit (OBPTC) is a refundable tax credit for 30 percent of the eligible Ontario expenditures incurred by a qualifying corporation with respect to eligible book publishing activities.

The other function of the OMCD is film commission activities. It has some

similarities with and differences from the film commission in British Columbia. The Ontario film commission provides the digital library and location services as the BC commission. In addition, they have a close relationship to the Toronto Film and Television Office, a film commission in Toronto. The two jointly own and operate a film office in Los Angeles in the United States with the FilmOntario (The Ontario Film and Television Consortium), called the Toronto Ontario Film Office. Ontario is the only province that has its own office in Hollywood.

Characteristics of the Canadian Film Policies

In the previous section, both Federal and provincial policy players in Canada have been discussed. At the Federal level, the Department of Canadian Heritage is the core institution for the Canadian culture policy, including one for films. Films have been considered as influential media for creating and delivering Canadian values both domestically and internationally. The oldest agency, the National Film Board of Canada, was established in 1939, more than 65 years ago. “Canadian stories by Canadian creators” have been produced in the country by their own producers. The NFB has been acted as a non-profit public producer, especially for social issue programs.

1. Shift from Cultural to Economic

The recent direction of the Canadian film policy has not followed a traditional route. In 2003, the House Committee issued a policy paper, called the Lincoln Report, which recommended a reassessment of the function and the purpose of the Canadian Radio-Television and Telecommunications Commission (CRTC).⁶ The response by the Canadian Heritage to the report includes the shift from the cultural-to the market-oriented approach. So far a number of social issues has been presented through film and television programs, produced by the NFB and the Canadian Broadcasting Corporation (CBC). The Telefilm Canada has also funded such programs.

For politicians and government officials in Canada, however, main concerns may not only be the qualified outcome but also more quantified results. In 2003, Canadian films earned 33.3 million dollars at Canadian theaters. It is only 3.5 percent of the box office share. The figure in Quebec is different; it is 36.5 percent of the French-language market share in Canada. The total English-language market share is only 1.0 percent in 2003. These figures indicate two problems. The first is an overall weakness of Canadian theatrical or commercial films in the domestic market. The second is a relatively strong position of French-language films in the domestic market.

Compared to the Canadian film policy, in Japan, even tax credit program or feature film fund does not exist, where the box office share of domestic films was

estimated to 31.8 percent in 2000. It is almost same as the share of French-language films in Canada. It is not certain that language barrier is a reason to explain this coincidence. At least, we can infer that the cultural difference between Hollywood and Japan is the other explanatory variable.

The other market approach can be also observed in the policy introduced in 1997. It is a tax credit program, called the PSTC (Production Services Tax Credit), a financial support for foreign productions in Canada. It is rather an economic policy than a film or culture policy. Provincial governments also have the same type of tax credit programs. The reason for introducing such programs is a competition in the film location markets with many American states, such as California, New York, and Hawaii.⁷ Actually, they are competing with one other not only in the North American market but also the worldwide market, including Australia, New Zealand, and the United Kingdom.

In the province level, each Canadian province has its own tax credit programs both for Canadian-content productions and foreign productions. In the case of British Columbia and Ontario, both provinces have recently raised their tax credit rate. While it is not sure that this raise will bring additional money from outside of each province, it is certain that such programs have brought them some benefits to each province, and they are competing very hard.

2. Diversity

In general, diversity is viewed as one of the important objectives in a national culture policy. For instance, a French film institute, called the Centre National Cinematographique (CNC), stresses the importance of diversity in its policy. However, as a policy objective, diversity always contains obscurity. In France, cultural- and social-oriented films or programs are important to fulfill the diversity. With the invasion of Hollywood films, acquiring a large share of French and EU films in the box office market become crucial to fulfill the objective.

Diversity in Canadian film policy is complex. Firstly, the share of Canadian films in the box office sale between January and September 2004 was 4.8 percent, while that of U.S. films was 87.2 percent. Although the share of Canadian films has been improved gradually, it is still less than 10 percent. It means that in terms of the box office sale, diversity has not been achieved. It is because of the dominance of Hollywood films in the Canadian market.

Secondly, even though English-speaking people are majorities in Canada, the share of French-language films has predominated over that of English-language films. Between 1999 and 2003, the share of French-language films remained over 50 percent. Except 2000, when the share of French-language films marked 50.3 percent, the French share showed more than 65 percent. Thus, the Hollywood dominance is considered to be enormous only in the English-language film market.⁸

Thirdly, Jacques Bensimon, Chairperson of the NFB, emphasized the importance

of diversity in his speech.⁹ He cited contributions of the NFB's French-language unit to the Quebec culture in 1960's and the establishment of Studio D, a women's studio, in 1974. As for the recent activities, he also mentioned that "20 % of the 105 full NFB productions last year (2003/2004) were made by culturally diverse and Aboriginal filmmakers." This is also another aspect of diversity.

In summary, realizing diversity in Canada is not a simple task. It includes liberating from the dominance of the Hollywood films in the box office market, creating a balance between English-language and France-language films, and producing films for and by the cultural minorities, including Aborigine. Such complexity in diversity is one of characteristics of the film policy in Canada.

Performance and Evaluation of the Film Policy

In the previous section, the film policy in Canada is fully described. As shown in the Figure 1, the film policy consists of two segments: cultural and economic. In the Canadian case, their traditional film policy has focused on the cultural aspect. As discussed earlier, however, the recent trend in the film policy is the shift from cultural to economic. Moreover, the province film policy concentrates on the economic aspect.

When it comes to measure and evaluate policies, it is not simple. In this section, we attempt to measurement and evaluation of the economic side of the film policy in Canada from the Japanese perspective. Although the cultural aspect of film policy is important, there is no applicable standard to measure how much government should spend money to preserve national cultural values. It is hard to compare the cultural policies, for it totally depends on the values of each country.

Before comparing the economic side of the film policy in Canada, the Japanese film policy is briefly described.

The Japanese Style in Film Policy

As discussed in the previous article [SUGAYA (2004)], three ministries in the Japanese government have played different roles in Japanese film policy. Firstly, the Agency for Cultural Affairs has several supporting programs for the film production. In addition to preserving culture through films, the agency also recognizes the importance of film as an industry. A new film policy was recently launched. One section of the policy is to support film commission activities in Japan. Secondly, the Ministry of Economy, Trade, and Industry (METI) is a ministry which plans industry policies in various areas, including films. In the film industry, developing digital films becomes one of major objects. Thirdly, the Ministry of Internal Affairs and Communications (MIC), formally called the MPMHPT, has jurisdiction to regulate the broadcast industry. Now both the METI and MIC have tried to expand the video

content distribution via the broadband network.

In addition to these three players in the film policy, a new organization has started to act in 2005—the Visual Industry Promotion Organization (VIPO). It is created to become a central organization of the Japanese film policy. However, since the VIPO's activities have started this year, its major activity is still limited to education and other ad-hoc programs. This summer, the VIPO started an internship program for college students who are interested in film production. As in Canada, it has not provided tax deduction and tax credits program. In addition, any quota system has not existed in Japan.

At a local government level, film commission activities are very dynamic. There are now 79 film commissions all over the country, even though their activities just started five years ago. However, a central organization for local film commissions has not been created in any prefecture yet.

Performance of the Canadian Film Policy

As shown in the Figure 1, there are two economic objectives in the Canadian film policy. One is the development of domestic film productions. The other is to locate big-budget film productions from the Hollywood.

In Canada, several funds are available for the Canadian-content films and broadcasting programs. For instance, both national and provincial government have the tax credits programs for the Canadian-content. In addition, the NFB itself has produced a number of the Canadian-content films and broadcasting programs. Their primary resources for such funding and the productions come from the public money. From the cultural aspects, there is no rational objection to spend the public money to produce the national content with the agreement of taxpayers. From the economic aspects, the domestic film market share of Canadian films has not shown sufficient results. In 2004, the domestic box office share of Canadian films was only 3.5 percent. This figure indicates that Canadian-content films are not so popular in the domestic film market in Canada.

In terms of the foreign film location, in contrast, economic statistics show a better performance. The total volume of film and television productions in 2003-04 was 4.9 billion dollars. Foreign location in 2003-04 was 1.9 billion dollars, 38.8 percent of the total amount. The share of foreign location has increased every year since 1994. It was 21.7 percent in 1994-95.¹⁰

In summary, the statistics show the clear positive figures on the foreign film location, while such clear statistical data does not exist for the domestic film production.

Evaluation of the Canadian Film Policy—from the Japanese Perspectives

According to statistics in the Screen Digest, May 2005, the number of films released in 2004 was 649; 310 local films and 339 foreign films were shown in Japan. Therefore, the share of local films in Japan is nearly 50 percent in 2004. In contrast, the share of the local films revenues is relatively low. Revenues for local films are estimated at 79,054 million yen, while those of the foreign films are 131,860 million yen in 2004. It means that the revenue share of the local films is about 35 percent of the total revenue in 2004.

As of the end of the second quarter of 2004, Canadian feature films earned 4.3 percent in Canada.¹¹ This figure shows the big difference between Canada and Japan. How can this difference be evaluated? The simple answer could be that the Canadian film policy for developing the Canadian content is not well performed, because the box office share of the local films in Canada is relatively small. However, such simple comparison sometimes overlooks bigger differences in the market environments between two countries. There are three differences in terms of culture and geography in comparing Japanese and Canadian markets. The first is the language. English is the common language in Canada and the United States. The second is the geographic closeness between two countries. Both are located in the North America. The third is similar cultures. Both are countries created by the European immigrants. Thus, it is not difficult to insist that the American-content goods and services are easy to penetrate in the Canadian content market.

In Japan, on the other hand, firstly, languages are different between Japan and the U. S. Secondly, the Pacific Ocean separates these two countries. And thirdly, Asian culture is totally different from the North American culture. Thus, there is a large cultural discrepancy between these two countries. It may be one of the influential factors why the share of the Japanese film is larger in Japan without any quota system for the movie theaters in Japan.

Such differences also reflect the other policy performance: foreign film locations. In Canada, several financial supports for the foreign film shootings in Canada are available both at the federal and provincial level. At the provincial level, major provinces are competing with each other to locate foreign film shootings.

In Japan, film commission activities have just started five years ago. Even the number of the commissions has increased every year, no government agency supports the local film commission activities. "The Last Samurai" case can be a good example to show how the foreign film location, especially the Hollywood films, is difficult to do in Japan. When the big-budget Hollywood film "The Last Samurai" was produced in 2002, an old temple Enkyo-ji in Himeji-city was selected as a major location site in Japan. However, in the film, it was not a major location site; the major site was located in New Zealand. New Zealand is one of the countries promoting the foreign film locations like Canada, and it provides good deals to the foreign film shooting from Hollywood. This fact shows that Japan is not the best place as a foreign film location site, especially for the Hollywood films.

In Japan, there are no tax deductions, tax credits, or quota system for the theatrical screen to preserve the local films. Even without such policies, the Japanese film market share is relatively large in the film box office market. It is because there are both cultural and language barriers in Japan. In contrast, even though there are many government programs to develop the Canadian-content films, the share of the Canadian-content in the box office is relatively small. It is true that the Hollywood films are easy to penetrate in Canada mainly because of the cultural similarities.

So far, the Canadian government policy for expanding the share of the local films has not been successful, but they still maintain financial supports. In Japan, local films have had relatively large share in the box office. In addition, the Japanese government has launched a new film policy to further develop the Japanese film industry in 2004, and the VIPO was organized. The common aim of both film policies is to develop its film industry. In general, the size of a film industry is not so large like telecommunication or automobile industries. Thus, the economic impact of the film industry is limited. However, it has an enormous social and political power. That is why both governments have continued to develop the film policy as a cultural policy.

This tendency has changed recently. Both Canadian and Japanese governments have started to pay attention to the economic aspect of the film policy. As discussed in the previous article [SUGAYA, (2004)], the film industry will become very influential in the economic sense, because the conventional narrowband network will be replaced with the broadband network within ten years. Some new business models on this broadband network have already been examined, including the video-on-demand service or the direct sale of video content through the broadband network. In this model, the acquisition or development of popular content becomes very crucial for their business. Moreover, this model is applied not only to the domestic market but also to the foreign domestic market.

When we examine the film policy in both countries, many differences are apparently observed. Yet they are following the same step: from the cultural to economic.

NOTES

1. The history of vertical integration is fully discussed in LITMAN (1998).
2. The Department of Canadian Heritage (2002), p.17. For further discussion on the evolution of Canadian content, see pp. 7-11.
3. The Canadian Film and Television Production Association (2005), pp. 25-27.
4. British Columbia Film (2003), p.5.
5. For further information on each film commission in British Columbia, see the following web site: www.bcfilmcommission.com.
6. The Canadian Film and Television Production Association (2005), p.5.
7. The U. S. Department of Commerce (2001) is the report on the runaway film production in the United States. Comparing the cultural runaway production, the economic one has been more increased in the 1990's in the United States, especially from California and New York.
8. The Canadian Film and Television Production Association (2005), p. 40.
9. The speech by Jacques Benimon on 'Who makes the rules? Diversity on Screen', Victoria College, University of Toronto, June 1, 2004. For the full text of the speech, see the following website: www.nfb.ca/e/sppeches/04-06-21.html.
10. Department of Canadian Heritage (2005), p.4.
11. The. Department of Canadian Heritage (2004), p. 7.

REFERENCES

- British Columbia Film (2003). Annual Report 2002-2003.
- British Columbia, Small Business and Economic Development (2004). *Spirit of 2010, Continuing Success in the British Columbia Film Industry*.
- The Canadian Film and Television Production Association (2004). *Guide 2004, Canada's Production Industry Directory*.
- The Canadian Film and Television Production Association (2005). *Profile 2005, An Economic Report on the Canadian Film and Television Production Industry*.
- The Department of Canadian Heritage (1998). Cultural Industries Brunch, *A Review of Canadian Feature Film Policy* (Discussion Paper).
- The Department of Canadian Heritage (2000). *From Script to Screen, New Policy Directions for Canadian Feature Film*.
- The Department of Canadian Heritage (2002). Film, Video and Sound Recording, *Canadian Content in the 21st Century* (Discussion Paper).
- The Department of Canadian Heritage (2004). *The Film and Video Sector in Canada*, (mimeograph).
- Department of Canadian Heritage (2005). *Study of the Decline of Foreign Location Production in Canada*.
- GASHER, Mike (2002). *Hollywood North, The Feature Film Industry in British Columbia*, UBC Press.
- LTMAN, Barry R. (1998). *The Motion Picture Mega-Industry*, Allyn and Bacon.
- The National Film Board of Canada (2002). *Strategic Plan 2002-2006*, 2002.
- The Telefilm Canada (2003). *Canadian Feature Film Fund, Guidelines 2003-2004*.
- The Ontario Media Development Corporation (2003). *OMCD Annual Report 2002/2003*.
- The Ontario Media Development Corporation and Toronto Film and Television Office (2004). *Ontario Production Guide 2004/2005*.
- SPANER, David (2003). *Dreaming in the Rain, How Vancouver Became Hollywood North by Northwest*, Arsenal Pulp Press.
- SUGAYA, Minoru (2004). The Policy Analysis of the Film and Video Market in Japan, *Keio Communication Review*, No. 26.
- The U. S. Department of Commerce (2001). *The Impact of the Migration of U. S. Film and Television Programre*.